

Policy, Research, and External Affairs

**WORKING PAPERS**

Review and Analysis

Policy Review Department  
The World Bank  
December 1990  
WPS 552

# **Selected World Bank Poverty Studies**

## **A Summary of Approaches, Coverage, and Findings**

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A review of country economic and sector work on poverty issues  
— and recommendations for improving future country economic and sector work.

This paper — a product of the Review and Analysis Division, Policy Review Department — is part of a larger effort in PRE to help improve the treatment of poverty issues in the Bank's analytical and operational work. Copies are available free from the World Bank, 1818 H Street NW, Washington DC 20433. Please contact Marilou Abiera, room S13-033, extension 31262 (79 pages, including annexes).

Since the establishment in 1987 of the Task Forces on Poverty and Food Security, a good deal of country economic and sector work has analyzed poverty issues.

Gillespie reviews this work to identify the main policy issues it raises; describe how the Bank approaches the study of poverty issues (is the focus macroeconomic, sectoral, or on target groups?); summarize the main findings and lessons learned from the country economic and sector work reviewed; assess the extent to which country economic and sector work has identified strategies, policy reforms, and programs to reduce poverty that could be supported by the Bank's policy or project lending; raise additional issues that could be addressed in future poverty-related country economic and sector work.

Among other things, Gillespie concludes or recommends that:

- A poverty profile should assemble enough information about the poor to permit analysis of the causes of poverty. Income-based measures capture only one dimension of poverty. Information on the economic activities and nutrition, health, and education of the poor should also be included, with trend indicators.

- Comprehensive studies produced important policy conclusions. The more narrowly focused studies tended to neglect potentially important aspects of poverty strategy. Studies that focus only on targeting services in the social sectors, for example, may fail to consider important macroeconomic or sectoral policy issues that affect the income prospects of poor people. Such issues are vital not only to raising the demand for social services but are central to any sustainable strategy for poverty reduction.

- On balance, studies devote more attention to improving the human resources of the poor and

to devising short-term social sector safety nets for the poorest, than to identifying strategies to raise their incomes. Country economic and sector work should explore the determinants of poverty, not only access to welfare-enhancing goods and services.

- Particular priority should be given to analyzing links between economywide policies that affect growth in employment, the functioning of the labor market, the role of complementary public spending and investments, and poverty. Poverty strategies should give more attention to the dynamics of urban informal and rural nonfarm activities in providing income; the problems of urban poverty and their implications for poverty reduction strategies; ways to enhance small-scale agricultural productivity; the relationship of poverty and land tenure structures; the role of the private sector in product and service delivery in the social and agricultural sectors; the role of infrastructure provision in poverty reduction; and the complementarity of investments in the productive and social sectors.

- Issues of political economy are too important to be ignored. At a minimum, political issues should be addressed in the initiating memorandum and studies should identify and elaborate politically feasible strategies.

- Issues of how to finance poverty reduction strategies are generally neglected. This is an important gap in the studies, particularly for more operationally oriented country economic and sector work.

- Institutional findings from all sectors emphasize the need to make special efforts to reach the poor — but few studies offer guidance on how to do so. Such guidance should be a priority for operationally oriented country economic and sector work.

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**SELECTED WORLD BANK POVERTY STUDIES:**  
**A SUMMARY OF APPROACHES, COVERAGE AND FINDINGS**

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This study was prepared in PRDRA by Nancy Gillespie. The guidance and many helpful comments of Helena Ribe, Robert Liebenenthal and Gary Fields are gratefully acknowledged.

**SELECTED WORLD BANK POVERTY STUDIES:**  
**A SUMMARY OF APPROACHES, COVERAGE AND FINDINGS**

**Introduction**

**Objectives**

1. Since the establishment in 1987 of the Task Forces on Poverty and Food Security, a substantial amount of country economic and sector work (CESW) which analyzes poverty issues has been completed or initiated in the Bank. This paper reviews some of this work<sup>1</sup> to identify the main policy issues it raises. The objectives of the review were to:

- (a) describe how the Bank is approaching the study of poverty issues (e.g., is the focus macroeconomic, sectoral, and/or on target groups?);
- (b) summarize the main findings and lessons learned from the CESW reviewed;
- (c) assess the extent to which the CESW has identified strategies, policy reforms and programs to reduce poverty in developing countries and which could be supported by the Bank's policy or project lending;

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1/ Annex I lists the documents consulted for this paper: country documents (for 28 countries: 8 from Africa, 8 from Asia, 4 from EMENA, and 10 from LAC); regional studies from 2 Regions; and other background documents (including the reports of the Poverty and Food Security Task Forces).

- (d) raise additional issues which could be addressed in future poverty-related CESW.

### Scope

2. This report reviews mainly cross-sectoral studies with a primary and direct poverty focus,<sup>2</sup> which were completed between mid-1987 and mid-1989, though some work in progress was included. The studies were selected mainly on the recommendations of the Regions. The Initiating Memorandum and questions used to structure the review may be found in Annex II. In some cases, the task has been a CEM (India, Malawi) or a major country study (Philippines, Colombia, Mexico, Morocco, among others). In a few cases, poverty analysis is distributed across several tasks, not always classified as CESW, and where poverty may be a direct, but not primary focus. These tasks are included if collectively they reflect broad coverage of poverty issues.<sup>3</sup> The study does not include Country Strategy Papers.

### Summary and Conclusions

3. A poverty study generally contains three elements: a profile of the poor, an analysis of the economic and social environment that may

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2/ This follows the classification proposed by Policy, Planning and Research / Central Operations Department in May, 1989. Copies are available from PRDRA.

3/ These include the Mozambique Food Security and SDA documents, Kenya documents on Employment and Growth, Food Security, and Women in Development, and LATPH regional studies on child nutrition, social security, and public expenditures in the social sectors, among others.

contribute to their poverty, and an assessment of what can be done to reduce poverty. Most studies contain these three elements, though their analytical approaches and content are diverse.

4. Poverty Profiles. Virtually all studies include a poverty profile, or at least identify poverty indicators to identify and describe the poor. These indicators typically include income measures as well as indicators of social well-being such as education, health and mortality, and nutrition.

5. Few studies use the poverty profile to develop systematic policy guidance in the formulation of comprehensive poverty reduction strategies. This review concludes that the effectiveness of poverty studies could be improved by presenting poverty profiles based on information which is relevant to policy objectives. The profiles should include information on the sources of income, consumption patterns, economic activities and social indicators of the poor, with attention to trends and regional and group variations. Where possible, indicators of the asset holdings of the poor, and their use of productive inputs and product markets, or public services in the productive and social sectors should also be presented. In cases where data are sparse, qualitative information should be assembled to supplement quantitative indicators of poverty.

6. Analytical Approaches. The analytical approaches of the studies fall into three broad categories: "macro," "comprehensive," and "sectoral/targeted." The "macro" studies analyze poverty issues

within an economy-wide policy framework. They explore such issues as the role of the macroeconomic policy and regulatory framework in determining the extent to which the poor are included in economic growth, or the scope for pricing and fiscal reforms to improve the prospects for poverty-reducing economic growth. Such studies produce important conclusions on the poverty implications of macroeconomic, trade and fiscal policies, and the distributional impact of broad public expenditure choices, even in countries where the data are poor.

7. The "comprehensive" studies go further than the "macro" studies in examining the effects of policies on poor people. They trace out multisectoral strategies for poverty reduction that address implementation and institutional issues at the micro level. Some comprehensive studies also examine specific constraints to enterprise or household responses to policy incentives, and recommend ways to improve their response capabilities.

8. Most studies are sectoral in their analytical approach and focus on the social sectors to identify strategies to improve the human resources of the poor. These studies generally explore issues such as access, targeting or decentralization of service delivery. Some studies concentrate on devising short term social safety nets for the poorest. Few studies analyze issues in the productive sectors.

9. This review concludes that many studies have adopted too narrow an analytical approach. Poverty studies should be well-focused on critical, actionable issues. This paper recommends that, at a

minimum, initiating memoranda for poverty studies should review the broad characteristics of the poor and present hypotheses concerning poverty reduction. This would allow explicit consideration of how comprehensive the scope of the study needs to be and of the priority issues for analysis. Without such a review, narrowly focused studies run the risk of neglecting potentially more important aspects of the poverty strategy.

10. This paper also recommends that poverty analysis should focus on the determinants of poverty, not only the access of the poor to welfare-enhancing goods and services. In particular, analysis should give more attention to the impediments to income growth of the poor, and should consider the complementarities among investments to support the productive and social sectors.

11. Selected Issues. The studies illustrate that virtually all of the traditional areas of public action -- including policies, sectoral investments and transfers -- are relevant to poverty, and can contribute to strategies for poverty reduction.

12. The more practical issues associated with poverty reduction strategies -- costs and financing, the role of targeted subsidies, institutional delivery structures, the relative roles of the public, private and NGO sectors, and the political economy of poverty reduction -- were addressed in detail in only a few studies. This is an important gap because from an operational perspective, each of



these issues is vital to the implementation of effective and sustainable strategies for poverty reduction.

13. This paper recommends that studies should devote more attention to the practical aspects of implementing poverty reduction strategies, particularly to public finance and institutional issues. Political issues require more attention, at a minimum, in the initiating memoranda for poverty studies in order to ensure that studies identify and elaborate politically feasible strategies.

#### Organization

14. The paper has three sections. The first section explores the definitions of poverty employed in the CESW, and develops a typology of approaches to poverty analysis and outlines the main findings and recommendations of these analyses. The second section discusses the treatment of selected topics: the role of government in reducing poverty; financing poverty reduction; institutional and implementational issues; and reaching the poorest of the poor. The last section identifies issues that deserve more attention in future Bank CESW on poverty.

## I. DEFINITIONS AND ANALYTICAL APPROACHES

### A. Definitions of Poverty

15. Poverty is defined by two criteria: low incomes and poor social indicators (education, health, nutrition, etc.). Issues related to the treatment of each in the CESW under review are discussed in turn below.

#### 1. Income Poverty

16. Poverty Lines. All studies define poverty according to a poverty line, although the definition of the line varies. Virtually all use absolute rather than relative poverty lines. In most cases, poverty lines are based on local costs of a basket of minimum food and non-food requirements (standards are often obtained from local sources).<sup>4</sup> In some, the poverty line is expressed as a multiple of the minimum urban or agricultural wage (usually based on an estimate of purchasing power). In others, the poverty line is expressed in terms of physical indicators representing minimum acceptable levels of well-being.

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4/ While nutritional standards are used to determine poverty lines in a number of studies (usually in identifying the ultra-poor, e.g., Philippines, Madagascar SDA, Colombia), the levels defined as minimum requirements (caloric and protein intake minima) vary. It is not clear whether the variance is due to local dietary norms, activity levels, data availability or other reasons. Also, presumably for data reasons, those studies that do present information on average per capita calorie intake say little about the distribution or protein and vitamin adequacy of that consumption. Evidence from Peru that in times of economic crisis calories substitute for proteins and vitamins suggests that, where possible, these aspects of nutritional intake should also be monitored. See Thorp, 1989.

17. Most studies measure poverty using household income data. For a few countries, further information is available on household size, or household consumption expenditures. The Philippines study, for example, uses household income data, adjusted for average household size, and uses the limited expenditure data available to interpret the income measures qualitatively.

18. Where income-based data are not available, studies use different criteria. The Colombia study uses the official definition, based on: housing adequacy, occupation density, access to public services, dependency ratio, and school age children not in school. Similarly, in the absence of adequate household income or expenditure data for rural areas, the Malawi study uses size of landholding to define poverty -- where less than 0.5 hectare indicates "core" poverty and 0.5-1.0 hectare indicates "ordinary" poverty.

19. Many studies define multiple poverty lines, either to reflect differing degrees of poverty (e.g., core poor and ultra poor) or differing economic or environmental conditions. These could include rural and urban poverty lines, or regional and sub-regional poverty lines, based on differences in costs of living, dietary habits, etc. Some studies include information on the family structure, gender, and ethnic or national characteristics of the poor. The Morocco study, for example, defines core and ultra poverty lines, and breaks these out by region, and by rural and urban populations. Poverty is shown to be positively correlated with harsh rural topographical and environmental areas, populated by mostly nomadic and tribal groups,

and negatively correlated with urban and industrial areas. Other studies which analyze regional variations or ethnic or national dimensions to poverty include India, Indonesia, Jordan and Madagascar.

20.     Poverty Measures. The most frequently used measures are poverty incidence (percentage of the poor in the total population), complemented by the associated headcount (the absolute number of the poor). Each conveys relevant information. For example, in Mexico, the two measures imply different poverty mappings: although a greater number of the poor live in urban areas, the poor make up a much greater percentage of the rural population. Further investigation of the intensity of poverty and characteristics of the poor is needed in this case to generate policy guidance.

21.     Only a few studies estimate a poverty gap to measure the intensity of poverty (based on the extent of income shortfalls below the poverty line, which can be distributionally weighted).<sup>5</sup> The Bangladesh study estimates the poverty gap in urban and rural areas. The study finds increasing intensity of poverty in urban areas and decreasing intensity in rural areas, despite declines in poverty incidence in both. This is consistent with the study's hypothesis of increasing urban poverty resulting from rapid urbanization. No study

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5/ A distributionally weighted poverty gap measure attempts to reflect differences in the severity of poverty. Assuming that the experience of poverty increases the further household income falls below the poverty line, and that society places a greater value on helping the poorest, the measure assigns a weight in the total poverty measure according to the extent that household income falls below the poverty line. Those households falling furthest below the line would be accorded greatest weight, while those at, or just below the line would be accorded less weight. For further discussion, see Ray, 1987, and Foster et al, 1984.

uses a distributionally weighted poverty gap measure. Weighted poverty gap measures can help in choosing among poverty groups to receive assistance or in assessing the effects of policy alternatives on the degree of inequality among the poor. To address these questions in the absence of adequate data, the Bolivia study turns to other welfare indicators for help in identifying the priority groups to be targeted by a poverty reduction strategy.

22.       Poverty Trends. The nature and evolution of poverty over time is reported in only a few studies.<sup>6</sup> Studies which do explore trends (India, Philippines and Indonesia, for example) have a better analysis of the determinants of poverty. For example, the Philippines study finds that although the country had acceptable growth rates over the 1970's, the incidence of poverty did not change, and the absolute number of poor increased. The report explores the factors impeding the participation of the poor in a growing economy, particularly maldistribution of assets and income exacerbated by regressive public revenue and expenditure policies. In India, the finding that both numbers of the rural landless and their relative share in the poor has increased led to more analysis of the agricultural labor markets.

23.       The Indonesia study explores the decline in poverty achieved during a period of adjustment, and finds the gains were due to a policy environment that responded quickly to external shocks and supported rural economic growth, including investment in rural

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6/ Presumably due to data limitations, although that was not made explicit in all cases.

physical and social infrastructure. Regional variations in poverty reduction were considerable, however. The report finds that this is due in part to incomplete coverage of the Government's regional development strategy, and recommends redirecting resources toward backward areas.

24. Few studies address whether poverty is a permanent or life cycle phenomenon, although evidence suggests this may be important under some circumstances.<sup>7</sup> The Indonesia study, which does examine the issue, finds no evidence of a life cycle pattern to poverty.

25. All studies find evidence of substantial poverty in rural areas. Most focus their analysis and recommendations on strategies for rural poverty reduction.

26. Issues related to urban poverty -- its determinants, the relative growth of urban poverty, the role of migration in affecting rural and urban poverty, etc. -- are generally not considered. And although some studies do discuss the growth of urban poverty, (Mexico, India), only the Indonesia study draws out the broad policy implications, advocating improved provision of basic services targeted to poor urban communities. Recent work in the Infrastructure and

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7/ A review of the evolution of poverty in one "pueblo joven" in Lima suggests a strong life cycle dimension to urban poverty in Peru. See Webb, 1985. This article was based on a longitudinal study by R. Webb, G. Vega, G. Villalobos and C. Bracamonte, 1985, "Seguimiento a un Grupo de Familias en Pamplona Alta, 1979, 1982, y 1984," Banco Central de la Reserva, Peru. Unpublished.

Urban Development Department, however, suggests that this issue needs more attention.<sup>8</sup>

27. Economic Activities. Although nearly all studies use some income-based indicator to define and measure poverty, only some analyze the economic participation of the poor, their sources of income, primary economic activities, asset ownership, access to productive infrastructure and services, or income distribution. A few studies explore several or all of these measures as indicators of the dimensions and nature of poverty. The Mexico study explores trends in the urban minimum wage and the agricultural terms of trade as indicators of relative changes in income. Finally, the Mexico study explores access to such public productive services as agricultural extension and irrigation for the rural poor, and electricity and water for informal urban businesses.

28. The India study finds that among the rural poor, the poorest are the landless agricultural laborers, followed by smallholders. The poorest of the rural groups are concentrated in areas of low agricultural potential with limited irrigation. Non-farm activities also account for an important share of the incomes of the rural poor, while the urban poor rely on small or informal businesses or manufacturing employment. These findings guided the Bank's analysis to examine the nature and functioning of agricultural labor markets

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8/ See INURD, "Reaching the Poor Through Urban Operations," 1989.

and factors affecting the demand for labor in industry. Few studies investigate issues in the informal and rural non-farm sectors.

29. Information on the consumption patterns of the poor is an important complement to information on their economic activities. Trends in the prices of goods consumed by the poor will affect their real incomes. Few studies consider this link directly. The Mexico study is a good example which identifies the goods consumed by the poor and explores the scope for, and desirability of, policy interventions to affect the prices of those goods.<sup>9</sup>

## **2. Social Indicators of Poverty**

30. Most studies also provide indicators of the social characteristics of the poor. The indicators used most frequently are of social welfare -- nutritional status, morbidity and mortality, educational attainment, and access to social infrastructure (clean water, sewage, etc.). In some cases, indicators are disaggregated by gender, ethnic or national characteristics, or by age.

31. One example of the importance of examining social characteristics -- in addition to income characteristics -- of the poor emerges from the Bank's work on Pakistan. Income-based measures of poverty show significant progress in poverty reduction over recent decades. But an analysis of social indicators changes this conclusion. Pakistan's demographic and social indicators are

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9/ The Sudan and Indonesia studies also consider consumption patterns and their implications for policy.



comparable to those of the lowest income countries,<sup>10</sup> as measured by most social indicators: primary school enrollment rates are 61 percent for boys and 32 percent for girls; only three countries have a higher percentage of low birth weight babies than Pakistan's 28 percent, and maternal mortality, at 600 per 100,000 live births, is among the highest in the world and a direct reflection of poor maternal health and nutrition. Pronounced gender inequities have reduced female survival and resulted in the lowest female to male ratio in the world (0.91),<sup>11</sup> a figure which has worsened in recent decades. These findings guided the Bank's work to examine what can be done to improve the human capital and economic status of women.

### 3. Findings

32. Most studies conclude that the most vulnerable groups are the rural landless or small farm households, children, and pregnant and lactating women without access to basic health and sanitation infrastructure (India, Philippines, Mexico, Chile, Colombia, Malawi, Kenya, Morocco). For example, the Malawi study finds that the poor are half of Malawi's population, predominantly rural, with limited employment opportunities, labor constraints for female headed households, low agricultural yields, limited human resources, rapid population growth and minimal income transfers.

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10/ With a per capita GNP of \$350 in 1987, Pakistan's income is well above the \$290 average for low income countries.

11/ The World Development Report 1989 cites a "normal" ratio as being 1.03 to 1.05.

33. A few reports on countries with large urban populations also identify residents of urban squatter and periurban settlements, often dependent on the informal sector, as particularly vulnerable (Bangladesh, Philippines, Mexico, Colombia). For example, the Colombia study identifies children in poor urban households (and especially those headed by women) as particularly vulnerable, because their mothers have entered the labor market but have no options for child care.

#### 4. Data Adequacy

34. Evidence from many studies suggests that a sufficient description of the poor for purposes of identification and preliminary policy or program design usually can be assembled from existing information.<sup>12</sup> The Mexico study, for example, assembles information on the poor from a variety of micro studies and other sources. Although the data are far from comprehensive, the study identifies the poor, including some important subgroups, and their characteristics, and uses this information in the analysis and recommendations.

35. In data-poor countries, as in Sub-Saharan Africa, it may not be possible to undertake highly detailed analysis, but the evidence

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12/ For further discussion of choices and trade-offs in determining data requirements for poverty profiles and analyses, see Streeten, 1989.

from the Malawi and Sudan studies suggests that broad policy guidance may be drawn or generated from available data.<sup>13</sup> While such short-cuts are not adequate substitutes for improved data collection, they do permit useful analysis.

36. The adequacy of available data generally is not discussed. The Colombia study, however, reviews the official definition of poverty and finds it biased in favor of housing and infrastructure indicators, with insufficient weight to income and expenditures, employment, and health and nutrition. The study argues that in rural areas, infrastructure development may lag behind that of urban areas but that this does not necessarily demonstrate greater poverty. It suggests using an income-based poverty line to complement the current indicators. Since the data as reported do not permit disaggregated analysis of poverty (many indicators are reported only as averages by department or municipio), the report also recommends using disaggregated statistics. The Bolivia study shows that although data limitations preclude calculation of such policy-relevant indicators as the poverty gap, it is still possible to determine a comprehensive strategy for poverty reduction based on careful and systematic use of qualitative indicators.

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13/ The Malawi study constructs a model to trace the effects of macroeconomic and sectoral policies through the economy. Although the data are incomplete, and many assumptions necessary, the study uses the results to guide the poverty reduction strategy. In Sudan, the Bank mission conducted a small income and expenditure survey of the urban poor in Khartoum to help gauge the likely effects of proposed policy and price reforms.

## 5. Conclusion

37. The poverty profiles reviewed present considerable information to identify and describe the poor. However, the material was often not arranged so as to offer systematic guidance for analysis and policy formulation, so that while much information was offered, it did not lead to clear analytical or policy implications. Key data from a policy perspective -- such as on the intensity of poverty (as measured by the poverty gap), the economic activities of the poor, their asset ownership, trends in key indicators such as wages for unskilled workers, or their consumption patterns -- were commonly omitted.

38. In order to enhance its contribution to the formulation of poverty strategies, a poverty profile should identify who and where the poor are and trends in their characteristics, in sufficient detail to permit analysis of why they are poor, and how their situation could be affected by policies or investments of the public or private sectors. Specifically, this would include information on the income and social characteristics of the poor, broken into subgroups as relevant, and based on data at the level of detail available, including the use of micro-studies or proxies for variables desired. Generally, national poverty definitions and data should be assessed critically. Greater use could be made of qualitative information to supplement official poverty measures.

## **B. Approaches and Main Recommendations of Poverty Analyses**

39. While all studies reviewed treated economic growth as the most important prerequisite for poverty reduction, most of them do not identify growth strategies for poverty reduction.<sup>14</sup> Instead, most studies follow a sectoral and targeted approach. Only a few integrate their analysis in a broader context, including the macroeconomic policy framework and/or complementary sectoral and targeted policies and investments.

40. Three kinds of study are distinguished below: macro, comprehensive, and sectoral/targeted studies. The following sections discuss these three analytical approaches and their main recommendations.

### **1. "Macro" Approaches**

41. Studies adopting a "macro" approach examine the role of the macroeconomic and sectoral policy environments in shaping the pattern of growth for poverty reduction. For example, the India and Philippines studies explore the effects of trade, pricing and input subsidy policies on growth and employment generation; the studies of the Philippines, Bangladesh and, to some extent, Mexico examine the incidence of selected public revenue and expenditure policies; and the studies of Indonesia, Philippines, and to a lesser extent, Morocco

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14/ For example, through ensuring that the macroeconomic and sectoral policy frameworks are not biased against employment growth, that public expenditures in the social sectors, productive infrastructure and service provision benefit the poor, and that tax policies are not regressive.

consider the potential for cross-sectoral redistribution of public expenditures toward those programs most likely to benefit the poor.

42. The Philippines study undertakes the broadest analysis of the poverty implications of macroeconomic policies. The study proposes policy reforms to increase employment, improve the incidence of public expenditures and reform the tax structure. To generate growth in employment and incomes, the study recommends removing trade restrictions and agricultural price controls. It also proposes a review of labor legislation and regulations which could lead to further employment and productivity gains. The study recommends reforms of public expenditure and tax policies to increase the budget share devoted to agriculture and rural development, the social sectors and basic infrastructure. Legal measures should be pursued to increase tax compliance, and raise the contributions from the upper income deciles to tax revenues.

43. An important subset of the macro approach is analysis of the choice of policy mix for stabilization and adjustment and its impact on the pace and direction of change in poverty. The Philippines study reviews the poverty impact of alternative adjustment policies and finds that the stabilization path chosen did not favor the poor as much as it might have done. The stabilization measures chosen brought more recession, labor market contraction and inflation -- all of which harmed the poor disproportionately. Faster introduction of relative price changes and shifts in the composition of public expenditures and revenues would have been better for the poor. The Mexico study

explores the impact of selected adjustment policies on rural and urban incomes, and suggests programs to protect the incomes and welfare of the most vulnerable, and of those hurt most by the crisis and adjustment.

## 2. Comprehensive Approaches

44. The "comprehensive approach" places sectoral policies in a macro policy context. The objective is to ensure that sectoral policies not only do not discriminate against the poor, but create the income and welfare enhancing opportunities needed to reduce poverty. These types of studies go further than "macro" studies in examining the effects of policies on poor people, to trace out multisectoral strategies for poverty reduction that stress implementation and institutional issues at the micro level. Some of the comprehensive studies also examine constraints to enterprise or household responses to policy incentives, and recommend complementary measures to improve response capabilities. These measures often include removing regulatory biases in markets, improving coverage or delivery of productive inputs, market and other infrastructure, or improving the skills and human capital of the poor.

45. For example, the Mozambique Food Security study explores the effects of food pricing and food aid and trade policies on small farmer incentives, household food entitlements, and the national food supply. The study finds that the implementation of effective long-term strategies is limited most by the poor national security situation (which has led to conflict in rural areas and increased

rural-urban migration), and weak institutional capacity. It recommends a strategy that concentrates on increasing the productivity of smallholders and on creating sustainable employment for the most vulnerable households -- rather than on transfers or general subsidies. This is done by continuing food price reforms under the Economic Recovery Program, and reallocating public expenditures for agriculture from the estate sector toward the family sector. The Philippines study identifies policies to improve the human capital of the poor as a key complement to the macro strategies to promote employment growth. Analytical work under the Social Dimensions of Adjustment initiative (e.g., based on the Policy Agenda, Conceptual Framework Paper and associated Analysis Plans) plans to use the forthcoming SDA household surveys for comprehensive analysis of the nature and effects of policies from the macro to the household levels, with the objective of identifying adjustment and growth strategies for poverty reduction.

46. The Bolivia study evaluates the extent to which public policies introduce or alleviate barriers to the economic participation of the poor. It examines the effects of stabilization policies on the poor, the sectoral allocation of public resources, the incidence of public expenditures, and the efficiency of resource allocation. It finds that the poor have not benefited from public expenditures -- they have little or no access to infrastructure or social services such as health care or education and training. They also have limited employment opportunities and little or no access to credit. The study advocates sectoral policy and institutional reforms to address the



fundamental causes of poverty. In the strategy proposed, macroeconomic policies should remain conducive to private sector development and sectoral priorities for human resource development should focus on efficiency and equity improvements. Efforts to increase assets held by the poor should include improved land titling, rural credit schemes, and strengthening the Peasant Development Fund.<sup>15</sup> The main emphasis for public service delivery is that it be demand driven, building on the success of the Emergency Social Fund experience. Finally, the study notes that ethnic and gender discrimination must be addressed and that, at a minimum, the legal and regulatory codes should be revised to remove institutionalized discrimination.

47. The India study provides one of the best examples of a comprehensive strategy. The study identifies the macro policies most likely to promote employment growth (consistent with other macro objectives) and then examines the impediments to that growth at the sectoral and micro levels. For the groups considered as "generally" poor (as opposed to the "ultra" poor), the report presents a coordinated approach that includes as top priorities: creating employment and improving the efficiency of the labor market (removing anti-employment regulatory and protectionist biases in the industrial sector, freeing restrictive employment safety and retrenchment codes, and eliminating small business protection schemes that constrain growth), raising the returns on assets held by the poor (improving

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15/ A recently created institution charged with providing credit to poor farmers through group credits with cross guarantees.

agricultural yields through irrigation shifts, extension improvements, research on crops with low water requirements), and improving human resources (decentralized delivery of PHN services and education).

Recognizing the special problems of the ultra poor, the report emphasizes additional targeted measures to provide a safety net of income and consumption transfers (employment guarantee schemes and nutrition support programs), and increased access to productive assets (credit under the Integrated Rural Development Program for the purchase of productive assets). Subsequently, the India Country Department has reviewed the transfer programs, and proposed lending operations to support institutional and program reforms.

48. The Indonesia study is also a model "comprehensive" study. It describes the nature of poverty in Indonesia at the end of the 1980s and identifies the macro and sectoral policies (including trends in public expenditures) that contributed to the reduction of poverty during the 1980s. The study offers a poverty reduction strategy that is based on macroeconomic policies that stimulate investment in labor-intensive, export-oriented production, and that support infrastructure and the social sectors. These include policies to: enhance the profitability of efficient manufactured exports; stimulate production of nonrice crops, smallholder tree crops and nonfood farm activities; deregulate trade and industry; and remove price controls and regulations inhibiting the efficient diversification of agricultural production and efforts to develop support services, especially in finance and transport. The policy framework is to be complemented by specific initiatives to generate income earning opportunities for the

poor (enhanced access to physical assets and employment opportunities in small scale enterprises), and to endow the poor with the human capital needed to exploit these opportunities. The study finds that general transfer and employment programs are not needed, but that targeted transfers and credit schemes may be appropriate for selected poor areas and low-income sectors.

49. The Malawi study analyses the employment impact of the trade reform and the stabilization program and finds that non-price structural factors continue to inhibit further adjustment. The study proposes reforms to foster informal sector employment growth, including reforms of urban business licensing, building and production standards, zoning requirements and provision of public utilities. It concludes that more regular revisions of the agricultural minimum wage will smooth market adjustments to price changes, and that a review of major crop pricing and licensing practices would benefit smallholders. The study proposes labor-saving investments in water, transport and agricultural technology to address the labor constraints of female headed households. To raise smallholder agricultural productivity, the study proposes to expand fertilizer provision, agricultural credit and research and extension services for new crops. Complementary investments in human resources, particularly in primary education and expanded access to family planning services will also be vital to raising agricultural productivity and improving social indicators. Since the effects of these reforms will not be immediate, the study recommends temporary income transfers to the poor.

### 3. "Sectoral" and "Targeted" Approaches

50. The majority of studies reviewed are "sectoral" or "targeted": i.e., they deal mainly with specific sectoral interventions, and with programs targeted at poor people. Most studies are on the social sectors.

51. Sectoral and targeted poverty studies in LAC focus on the social sectors and emphasize efficiency and incidence issues in service provision (Colombia, Brazil, Chile, and LATHR Regional studies). They pay little attention to the demand for social services. The Brazil study, for example, explores the incidence of public social service programs and their financing, and the scope for resource reallocation within the social sectors to improve targeting. The study finds that although Brazil spends as much or more of GDP on the social sectors as such countries as Korea and Mexico, Brazil's social development lags behind. This is due to mistargeting of resources, inefficiency of program management, and a system of finance that lacks transparency.

52. The Colombia study explores the practical aspects of selected government initiatives to reduce poverty: child nutrition supplements given through day care centers; the provision of universal primary education, universal primary health care and expanded coverage of the social security system to reach low income families; and upgrading unregulated housing through expansion of basic services and self-help construction. The study finds these initiatives ambitious, given limited institutional capabilities and infrastructure in rural areas.

It concludes that the priorities are to expand and institutionally strengthen the child nutrition program, and reorient government housing policy toward rehabilitation. The study recommends that the expansion of health and education programs be postponed until institutional weaknesses and program inefficiencies can be addressed.

53. Not all sectoral or targeted poverty studies focus on the social sectors. The African Food Security studies (Mozambique, Kenya, Malawi) explore issues affecting the national food supply, including distribution and shortages, and the problems of poor households in producing or purchasing adequate food. Although they do address some macro policy issues (as noted above), the Food Security studies focus largely on sectoral issues in agriculture, such as how commodity pricing affects producer incentives and household entitlements, and how access to inputs, markets, research and extension can affect the regional and national food balance. The Mozambique Food Security strategy also stresses the importance of improvements in access to basic services such as health, nutrition, education, clean water and sanitation, and to a limited safety net to prevent serious malnutrition or starvation.

54. The Asia Regional study on groundwater use explores the scope for poverty reduction through improved provision of and more equitable access to water. The study focuses on technical and natural potentials, the economic and financial considerations affecting groundwater development schemes, socio-political and managerial considerations, and policy options and research directions. The study

brought together academic, government and Bank experts and as a result, the study has a practical, policy-relevant focus, and has generated considerable willingness among the participating countries to implement its recommendations.

55. The Morocco study identifies the priority problems of the poor (as measured by social and income indicators) and presents a methodology to rank alternative ways of addressing these problems, based on estimates of the linkages between selected sectoral policies and one or more of the priority problems.<sup>16</sup> The study recommends a strategy designed to reduce illiteracy and improve family planning services, coordinated with programs to improve the basic health, nutrition and income prospects of the poor.

56. Much of the SDA work in Africa also adopts a targeted approach, involving interventions in the social and productive sectors to provide a safety net for groups hurt during adjustment. Although SDA country assessment papers do describe the evolution of policies at the macro and sectoral levels, the recommendations are largely confined to identifying immediately implementable interventions to

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16/ The study outlines a methodology for estimating backward and forward linkages of policy options to target indicators and economic outcomes. For example, agricultural extension can raise yield per hectare. So can female education. And female education yields additional benefits to family welfare. The choice of policy would then depend on the estimated efficiency of either approach in increasing agricultural yields, adjusted for additional or external gains in meeting other identified poverty priorities. While this methodology is still in its initial phases, and will not be implemented in detail before the LSMS data become available in FY90-91, it remains a very useful way of thinking about strategies for poverty reduction, and (even in the absence of data to quantify the policy linkage matrix) provides some guidance as to choices among alternative actions.

protect the vulnerable.<sup>17</sup> The Sudan and Uganda PASCAP studies, as well as the Jamaica Social Well-Being Program review also fit in this category. These studies have generated immediate and practical responses to a particular crisis, and are not directly concerned with policy issues or long term sustainability questions. Likewise, the poverty study in Jordan as well as some of the more recent work on Eastern Europe consider ways to improve the efficiency and targeting of transfers and subsidies to reduce their overall scope and cost.

#### 4. Conclusions

57. The majority of the studies reviewed present sectoral and targeted strategies for poverty reduction, with emphases on improving investments in human resource development and on providing safety nets for the poorest. While these studies present important findings and recommendations, they tend to advocate excessively narrow strategies for poverty reduction, ignoring other indirect policies and investments which may be even more important for reducing poverty.

58. Few studies suggest ways to raise the incomes of the poor through employment (via, e.g., increased labor demand, infrastructure provision, or productivity improvements). Studies that focus on the economic activities of the poor also emphasize the importance to productivity of human capital development (e.g., improved nutrition for the poorest can also improve their abilities to work or attend school -- Morocco; improving women's education and earning abilities

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17/ These findings often lay the groundwork for the SDA social action plans, which are directly operationally oriented, and so were not included in this review.

can improve child education and survival rates, lower fertility rates, and improve household nutrition, as well as raise household income -- India Gender and Poverty).

59. Employment growth in the informal sector is another gap. Informal activities represent substantial private sector development potential, and many studies find that the poor rely on informal activities for an important share of their income. But few policies in these areas are considered or recommended.

60. Studies which suggest cross-sectoral poverty reduction strategies are also more likely to consider and propose financially sustainable strategies. Such strategies are based on investments and policies to foster employment growth and productivity gains, with a more limited scope for subsidies, transfers and safety nets (India, Morocco, Indonesia, Malawi CEM and Food Security, Mozambique Food Security, Philippines). The India report is the clearest example of a strong emphasis on sustainability. For the ordinary poor, the study recommends a shift away from transfers and subsidies and toward investments to spur growth and employment. For the ultra-poor, the report advocates public works employment schemes to construct needed infrastructure.

61. Poverty-related studies have had different objectives: some generate operational recommendations; others identify issues which could be pursued in policy-based lending. The Africa SDA and Food Security studies are designed to lead to immediate operational



activities, and so adopt a very practical approach to poverty analysis. The LAC reviews of social sector programs address issues suitable for sector lending, as well as investment lending. The India study generates project proposals to reform the Integrated Rural Development Program, and presents policy recommendations that may lead to policy-based lending. The Philippines study generates fewer direct operational results, though a policy-based poverty loan has been considered.

62. Staff resource allocations to the various poverty studies appear positively correlated with the breadth of analytical approach. Annex III presents the staff weeks allocated to a sample of poverty studies. The most comprehensive studies, India and the Philippines, utilized more resources than the others. But the Mexico study was also quite comprehensive, and used only 36 staff weeks because it built on existing sector work. The Morocco study also benefited from some existing or ongoing sector work, but its 65 staff weeks are probably a more realistic lower limit for a reasonably comprehensive poverty analysis. This compares with the Brazil study's 44 staff weeks for an extensive sector study.

## II. TREATMENT OF SELECTED ISSUES

63. This section considers the treatment of four groups of issues in the studies reviewed: the role of government in reducing poverty; financing poverty reduction; institutional and organizational issues in poverty reduction; and reaching the poorest of the poor. The coverage and treatment of these issues determines how the analytical approaches and recommendations discussed in Section I are translated into practical poverty reduction programs.

### A. The Role of Government in Reducing Poverty

64. Every study concludes that governments have an important role to play in adopting policies and implementing programs for poverty reduction. Five such roles can be distinguished: distributional, policy and program coordination, implementation and delivery, provision of safety nets, and political. Each is discussed below.

#### 1. Distributional

65. The role of government in improving equity through redistribution is addressed at the aggregate level of public expenditures in a few cases. Although the data and methodology for evaluating the effects of different compositions of public revenues and expenditures on growth and distribution may be imperfect, efforts to address these questions in data rich countries (Indonesia, Philippines) as well as data poor countries (Bolivia, Malawi) yield

adequate information to generate policy guidance. More detailed investigations of the role and distributional effects of public expenditures is planned in the SDA unit, where work on a methodology is underway and will be applied when survey data are available.

66. Studies that explore the distributional implications of public policies and programs find they are fundamental to explaining poverty. For example, the Philippines study finds that the regressivity of public sector revenues and expenditures as well as inequalities of income and asset distribution are important structural determinants of poverty. The study recommends government policies to achieve a more progressive distribution of income and assets, via changes in the tax structure, and reallocations of expenditures, both across and within sectors. More resources should be devoted to expanding rural infrastructure, particularly rural roads, small-scale irrigation works, and rural electrification, as well as to upgrade public services in squatter developments. The report also strongly endorses the proposed land reform, citing it as an important prerequisite to the reduction of rural poverty.

67. Most studies propose improving the incidence of public expenditures within sectors. The incidence of taxation and cost recovery measures is generally not considered.<sup>18</sup> Recommendations can be summarized as follows:

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18/ The exceptions are Bangladesh and the Philippines.

i) reallocate expenditures within the social sectors to improve the incidence of programs and correct mistargeting of public resources -- this is often expressed as a greater emphasis on primary health and education over curative care and higher education (Brazil, Bolivia, Colombia, Philippines, Morocco, Venezuela);

ii) target content and delivery of agricultural extension, research and other services to smallholders (Bolivia, Kenya, India, Malawi);

## 2. Coordination

68. Many studies which adopt a cross-sectoral approach to the analysis of poverty (Mexico, Malawi, India, Philippines, Indonesia), or specialized studies such as the Food Security work, also identify a role for governments in ensuring that the sum of separate efforts at reducing poverty add to a coherent whole. This role includes considering linkages across sectors or activities, and their implications for the most effective ways to attain specific goals.

69. The Food Security studies in Sub-Saharan Africa emphasize the coordination role of government. For example, they suggest that changes in agricultural prices be accompanied by reforms of marketing boards (Malawi Food Security), and by investments in transport and marketing infrastructure (Madagascar SDA) to facilitate a supply response. They also suggest some food subsidies to protect the food insecure (Mozambique Food Security).

70. Studies that analyze the informal sector recommend removing restrictive regulations and licensing requirements to provide a policy-neutral or supportive environment for small businesses and informal sector growth, accompanied by investments in complementary infrastructure (Bolivia, Indonesia, Kenya, Colombia Informal Sector, Mexico, India);

71. The importance of cross-sectoral linkages can be illustrated in the context of efforts to raise women's economic and social status. The India Gender and Poverty study and the Pakistan Economic and Social Strategy for Women emphasize that while the provision of education, health, population and nutrition services for women is essential to poverty reduction, these services will be more effective if complemented by credit, productive inputs, and other economic services. Raising women's economic value is necessary to raise the demand for social services for women and girls. The studies also say, however, that reaching women with economic services may require special efforts, especially in countries where women are secluded, because services such as agricultural extension and inputs are often targeted at household heads, and may not be shared across households.

### 3. Implementation

72. Several studies also identify a role for government in implementing programs to provide social services, infrastructure, and productive inputs and services needed to help the poor participate in growth.

73. Recommendations for social service provision emphasize ways of improving the delivery, coverage and quality of primary education, vocational and literacy training, and preventive health, nutrition and maternal and child health services (Argentina, Brazil, Chile, Colombia, Madagascar, Malawi, Morocco, India, Indonesia, and the Philippines, among others). For example, the Colombia study finds that social service delivery is overly centralized and fails to reach the rural poor. What rural social infrastructure does exist is poorly equipped, staffed and maintained. The study recommends the government expand recurrent funding for rural health posts and improve ministry coordination with informal or NGO-supported education, population, and health services.

74. Recommendations in the productive sectors focus mainly on agriculture and include:

- i) provide credit access to the poor -- at market rates, but on terms that do not exclude the poor (e.g., no collateral, frequent repayments, simple application procedures, group borrowing, community based; India, Indonesia, Malawi, Mozambique Food Security).

- ii) improve delivery of productive inputs to small farmers, including such recommendations as: a) make fertilizer and seeds available in small amounts at frequent intervals to smooth the expenditures required of smallholders (Kenya, India, Malawi -- the Malawi Food Security Back to Office Report suggested the use of "fertilizer for work" schemes as a way of distributing fertilizer to the poorest); and b) shift irrigation and cropping patterns in water-short areas from high intensity irrigation of limited amounts of land

to low intensity irrigation of much larger tracts (India); and in areas endowed with abundant groundwater, invest in tubewells for poor households (Indonesia, Kahnert).

iii) improve the curricula of vocational and skills training programs to reflect market opportunities and requirements (Kenya, India, Colombia Informal Sector);

75. Some reports recommend that some or all of these functions be carried out by the private sector, but this would not detract from the general responsibility of government to ensure service provision (e.g., privatization of local delivery of health services in India, or of selected distribution functions--agricultural inputs, food assistance, etc. in Mozambique).

#### 4. Safety Net Provision

76. Most studies identify the provision of a safety net for the poorest as an important role of government. They vary, however, in the degree of importance they attach to this role, and in their views as to how narrowly the safety net should be targeted, to which groups of the poor, and whether its provision should be transitory or permanent.

77. The India study, for example, considers the employment guarantee schemes and nutritional supplement programs in the government's welfare safety net both as a permanent means of supporting those unable to work, and of enabling those who can work to

take advantage of income opportunities. The Indonesia study envisions safety nets on a smaller scale, designed to foster sustainable job creation (income generating activities and credit programs). In both the India and Indonesia studies, these schemes represent only one part of a multifaceted approach to poverty reduction, and are only relevant to the ultra poor. Few studies stray from advocating the greatest transfer assistance for the poorest of the poor, though the India and Indonesia studies distinguish among groups of the poorest and suggest allocating extra resources for those in the Eastern States and Outer Islands, respectively.

78. The Mexico study finds that providing a safety net is one of the more important immediate roles for the government, and should be given not only to the poorest, but also to those hurt most by the economic crisis. For the latter group, however, the assistance is intended to be transitional.

79. The Colombia study reviews the government's poverty reduction initiatives, and supports the plan for a sustained nutritional safety net, targeted at poor children through day care centers. While the study does not identify this as the most important role of the government in reducing poverty, it does accord it considerable prominence (and this is the first area of Bank lending to result from that study).

80. In Morocco, a food subsidy safety net is well established. The Morocco poverty study does not focus on the role of government in



its provision, but rather on how to more narrowly target the program and reduce the fiscal burden of the subsidies.

81. The provision of safety nets in the low income African countries where as much as two thirds of the population may be classified as absolutely poor<sup>19</sup> poses greater practical difficulties. Nevertheless, one aspect of the SDA initiative for Africa includes the provision of safety nets--the Social Action Plans. Like the Bolivia ESF and the various PAMSCAD (Ghana) and PASCAP (Uganda and Sudan) operations in Africa, these programs reflect concerns to provide emergency relief for those hurt by the crisis. Not all have been able to also include the majority of the structural poor, and so these schemes tend to be less comprehensive in their coverage of the poor than the safety net schemes described in other countries.

## 5. Strategic Role

82. While several reports allude to the strategic or political importance for a government of poverty reduction, only the Mexico report articulates it as a direct rationale for the policies and programs recommended.<sup>20</sup> The Mexico report identifies some poverty reduction measures as a necessary strategy for maintaining popular support for the ongoing economic reforms. But these measures are not incorporated in the design of the reforms, nor are they targeted at the poorest; rather, they are directed at the most politically

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19/ Karaosmanoglu, et. al., 1988.

20/ Other reports likely to adopt a similar, if unarticulated, outlook are those on Venezuela and Jordan--both countries experiencing acute economic and political crisis.

volatile groups, who typically are not the neediest. Although the Bolivia, Indonesia and India studies note that it may be necessary to choose among groups of the poor to receive priority in poverty reduction efforts, they do not explore the political implications of these choices. Thin coverage of the political dimensions of poverty reduction is an important gap in the CESW reviewed, a point discussed further in Section III.

#### **B. Financing Poverty Reduction**

83. Issues related to the financing of poverty programs are treated differently in the studies examined. Some of the more operationally oriented studies indicate the financing implications of their policy and program recommendations. The best example is the Mexico study, which puts forward a series of alternative social sector programs with associated cost estimates. Other studies which present cost estimates include Colombia and Sudan. In contrast, studies that present more general strategies give little emphasis to program financing. For example, the Philippines study analyzes the macro determinants of poverty, and the prospects for policy reforms, and overlooks the costs and financing of specific programs, such as those associated with the proposed land reform.

84. The major sources of finance identified for additional poverty reduction efforts are discussed below.

85. Reallocation within sectors is frequently suggested as a means of financing recurrent costs. Almost all studies recommend resource reallocation to finance targeted social sector programs. Some recommend reallocation to reorient agricultural services toward irrigation, extension and inputs most needed by the poor (Bolivia, India, Philippines, Mexico).

86. More efficient service delivery. Efficiency gains as a source of finance for program expansion are explored most comprehensively in the India study, but are also considered in the Bolivia, Colombia, Malawi and Mexico studies, among others.<sup>21</sup> Recommendations generally are aimed at social sector and transfer programs, with less attention to options in the productive sectors.

87. External donor assistance. While there are many possible uses for external resources in financing poverty reduction programs, most studies focus on donor aid for special programs to mitigate the short term costs of crisis and adjustment (e.g., Africa's SDA action plans and PAMSCAD-type programs). Some studies also cite a donor role in financing the recurrent expenditures of social sector programs targeted to the poor (India health program expansion; Mexico health and nutrition expansion; Nepal, Malawi and Pakistan social services).

88. This narrow concept for the role of external resources represents a gap in the studies reviewed. While most discussions of

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21/ Related recommendations are discussed in Section II.B.3, Institutional and Organizational Issues.

donor participation and aid coordination are raised in CSPs rather than in CESW, the current emphasis on donor support for targeted transfers or some social sector programs is incomplete, and may misrepresent priorities for external resource use.

89.       Cost Recovery. Cost recovery is not addressed in most cases. Cost recovery may be an important means of resource mobilization in many countries, and should receive more attention. Studies that do explore the scope for cost recovery suggest increasing charges for higher education or curative health care, which usually benefit the non-poor. Some studies consider the scope for user fees for both high cost and basic services (higher and primary education, for example), but maintaining subsidies for the poor (India and Morocco). Some studies suggest on the basis of micro studies that user fees would be unlikely to affect demand for reliable and high quality services by the poor (India, Mexico). However, this finding would warrant more general testing before implementing user fees for the poor on a wide scale.<sup>22</sup>

90.       Subsidies. Issues related to which goods and services should be subsidized, and for which groups of the population, are not systematically addressed in any of the studies reviewed.<sup>23</sup>       Subsidies

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22/ More general estimates of the demand response to user fees for health services have been developed for groups of the poor and non-poor in Peru and Cote d'Ivoire. See Gertler et. al., 1988. Estimates for Peru of the willingness to pay for education are presented in Gertler and Glewwe, 1989.

23/ Subsidy program reviews do exist for some countries -- for example, a review of food subsidies in a background paper to the Morocco poverty study provides detailed recommendations for subsidy reform -- but they do not usually go beyond a review of specific programs to consider more general options and questions.

are addressed in a variety of partial contexts. The Morocco study recommends more narrowly targeting the existing food subsidy program to reduce its fiscal burden. The Mozambique Food Security Back To Office Report proposes introducing a subsidy on an inferior food commodity (to be selected on the basis of pilot testing) and argues it is a less expensive way of improving the nutrition of target populations. The India study refers to subsidies on agricultural inputs and recommends they be reviewed. The Bolivia study recommends subsidizing agricultural infrastructure in poor rural communities.

91. The Colombia and Mexico studies address housing subsidies. The Colombia study considers issues related to the provision of housing for the poor, and the institutional and financial details of how to target housing subsidies. The study finds that past attempts to target such subsidies have failed and suggests that a preferable action might be to foster community self-help in housing construction on publicly provided and serviced sites. The Mexico study proposes subsidies to increase labor demand in the maquiladora export industries. But while the subsidies may have a positive net employment effect, their poverty impact is not established. The study also advocates more directly poverty-related subsidies for selected infrastructure (e.g., roads for informal sector development).

92. Implications for Public Finance. Studies vary in the extent to which they examine the aggregate financing implications of proposals for poverty reduction. The India study estimates the fiscal implications of its macro and sectoral recommendations. It proposes

to raise additional resources from intra-sectoral reallocations and external assistance. The Colombia study also aggregates the estimated costs of the government's poverty reduction initiatives, reviews the assumptions underlying the financing proposals and identifies possible shortfalls. The report does not propose alternative financing possibilities, but recommends scaling back the government's ambitious poverty reduction initiatives. While the Mexico study provides detailed cost estimates for each program, it does not aggregate the costs or consider alternative financing possibilities. The Indonesia study makes comprehensive recommendations with respect to targeting of services, cross-sectoral resource reallocations, and transfers as means of financing the recommended programs and policies.

93. In summary, the topics that receive the most attention include:

- the scope for intra-sectoral resource reallocation to finance programs in the social sectors;
- means to enhance social sector program efficiency;
- external assistance for recurrent and extraordinary costs.

Areas that might receive greater attention include:

- the introduction of user fees for services used mostly by the non-poor;
- the role of subsidies -- on which goods and for which groups;
- prospects for financing via cross-sectoral fiscal reallocation. This topic could be of particular interest in Latin America, where the use of earmarked revenues often

obscures the underlying incidence and distribution of public revenues and expenditures.

### C. Institutional and Organizational Issues

94. Social Sectors. The primary focus of social sector institutional reviews is the efficiency of service delivery. Findings tend to be country-specific, but common themes include:

i) institutionalize client participation for project success and sustainability. This implies organizing local participation in project or program design and management, both to ensure that project objectives meet community needs, but also to mobilize groups into effective advocates for their own welfare (India Gender and Poverty, Indonesia, Bolivia, Colombia).

ii) tailor product mix and delivery to the needs of specific population subgroups. The Colombia study suggests more flexible health post hours and locations to accommodate women's work requirements. Providing child care services, and delivering nutrition and health services through child care centers, are also recommended.

iii) ensure that service providers at the local level are acceptable to the target community by for example selecting and training community members (using community mothers to run the Colombian day care centers in their homes) or employing staff representative of the client community (women, ethnic or national groups) and more acceptable to consumers (India, Pakistan). Another option is to privatize service delivery functions as a way of enlisting local support (Bolivia, Indonesia).

iv) improve cross-program coordination of service delivery at the local level, to provide clusters of PHN or other services (India). This is cited as a means both of delivering services more effectively (in cases where services are complementary), and of lowering unit costs of delivery, thereby freeing resources for expansion of coverage.

v) decentralize bureaucracies and improve service targeting to minimize leakage, improve incidence and render services more accountable to the user population (Morocco, Philippines, Brazil, Bolivia, Indonesia, LATHR study of social spending).

95. The Bolivia, India, Indonesia, Mexico and Colombia studies explore the capabilities of public sector institutions to execute recommended program reforms. For example, the Mexico study reviews the efficiency, effectiveness and coverage of the state-run health care system and proposes an agenda for Bank-GOM cooperation to strengthen institutions at the federal, state and municipal levels as part of the government's sectoral decentralization program. The Bolivia study advocated incremental decentralization of key institutions, complemented by training and technical assistance to the regional and local levels. It also recommends improving civil service pay and eliminating political patronage systems to improve the professionalism of government institutions.

96. Productive Sectors. Institutional issues in the productive sectors are generally addressed in less detail. The Indonesia, Bolivia and Food Security studies devote the most attention to these



issues. Findings emphasize improving targeting and efficiency via, for example, privatizing crop marketing systems or input and food distribution systems, and simplifying content and sharpening targeting of extension services (Mozambique Food Security). The India study recommends improving the efficiency of agricultural service delivery by streamlining field tasks, improving coordination of service delivery agencies, and defining field responsibilities more clearly.

97. The Indonesia study adopts a cross-sectoral institutional perspective. The report advocates ex-ante planning of programs to minimize difficulties associated with coordination across branches and levels of government in executing multisectoral programs. It highlights the importance of involving community groups in the design and implementation of poverty programs in all sectors. Community groups offer flexibility and knowledge of the community that can often reach the poor more effectively than large government programs. Their involvement tends to increase village acceptance of public programs and thereby, participation. It can also ease the financial and staff costs of implementing labor-intensive poverty programs. Finally, community groups have developed a number of innovative and successful programs in Indonesia which the Government could evaluate and, if feasible, replicate on a wider scale.

98. Conclusions. In general, studies recommend that institutions be adapted to meet the requirements of local populations. Only the more operationally-oriented studies offered practical suggestions for doing so.

99. Findings on the poverty reduction role of productive sector institutions are limited, in part because they are addressed in few of the studies reviewed. Institutional issues in the productive sectors are often addressed in sector work, which may or may not reflect a direct poverty focus. That is a question beyond the scope of this paper.

100. While many studies advocate decentralization as one means of more effectively reaching the poor, only the Brazil study considered the implications of financial decentralization for service quality across regions and communities. Yet experience from industrial countries suggests that for decentralization to remain equitable in service quality, provisions for local government finance and revenue sharing may be necessary. Without such provisions, decentralization risks exacerbating differences in service quality, as low income regions will have a lower local resource base to finance services.

101. A related omission is the role of the private sector. Many studies which advocate decentralization also suggest privatizing selected service delivery functions. Few explore relative public-private sector roles in agriculture or the social sectors.

#### D. Reaching the Poorest of the Poor

102. Most of the studies reviewed are explicit about the need to design special programs to reach the poorest of the poor

but their recommendations do not differ significantly from those for all the poor.

103.     Approaches. Most studies that review the employment prospects of the poor consider targeted employment schemes an appropriate safety net for the poorest, as well as a way to introduce this group to the economic mainstream (India, Morocco, Philippines). Employment schemes usually rely on a combination of geographic targeting and self-selection (schemes pay below market wages, or offer food for work). The India and Indonesia studies also emphasize enhancing the access of the poorest to productive assets--e.g., via India's Integrated Rural Development Program's provision of credit and technical assistance for the purchase of productive assets.

104.     Most studies (Brazil, Colombia, Chile, Jamaica, etc.) limit their focus on special efforts for the poorest (especially women and children) to enhanced nutritional surveillance and targeting of nutritional supplements. The India and Mexico reports emphasize direct nutritional monitoring of vulnerable groups both to ensure basic survival and complement measures to raise the incomes of the poor. The Morocco study identifies a hierarchy of efforts for the poorest designed to address first their basic survival requirements (nutritional support programs) and then their income requirements (public works and informal sector support--although these are not specified in detail).

105.     Delivery. A few studies examine the performance of private and NGO service providers to extract lessons from their experience, particularly in reaching the most vulnerable during economic crisis (Mexico, Indonesia, Colombia, Jordan, Bolivia, Guatemala). The main recommendations include further decentralizing service provision, and privatizing selected functions to increase flexibility. The India study considers only public sector efforts at reaching the poorest, and suggests clustering services for more efficient delivery.

106.     In targeting subsidies to the poorest, the studies generally recommend using direct targeting for readily identifiable population groups (women, children, ethnic minorities), and indirect targeting for geographic concentrations of poverty in cases where leakage is likely to be insignificant, or the costs of direct targeting excessive (India Eastern States, Indonesia Outer Islands, Colombia squatter settlements). Geographic targeting is also recommended as a proxy in the absence of more detailed data, although this does risk including the non-poor in the population served (Morocco, Bolivia). This risk may be reduced by putting in place self-targeting delivery mechanisms.

107.     Informal Sector. Only a few studies explore the role of the informal sector in providing incomes and security for the poorest (although many micro studies suggest that the poorest are disproportionately concentrated in the informal sector). The Morocco study examines informal labor markets, and recommends that the government:

i) address the lack or inadequacy of productive assets (land, financing, simple machinery and tools);

ii) improve infrastructure and services for productive activities (adequate and secure space, roads and transportation, water and power); and

iii) develop alternative methods to reach the poorest by, for example, using community networks to guarantee financing, and using NGO's to identify the very poor producers.

Specific aspects of these policies would be combined in different ways according to the labor market problems in each region.

108. Conclusions. While most studies acknowledge the need to make special efforts to reach the poorest, the scope of these efforts is largely confined to nutritional safety nets. Most studies devote only limited attention to ways of increasing assets (land, water) in the hands of the poorest, of improving access to credit, or to ways of increasing employment in the informal sector. Attention to promoting employment opportunities for the poorest is limited to those studies that use a cross-sectoral approach to poverty analysis.

109. Studies rarely explore the prospects for collaboration with NGO's or other international agencies such as UNICEF or IFAD. Involvement of local community groups or leaders is frequently cited as of major importance to the success of a program in reaching the poorest, but the studies generally do not identify how, or via whom,

this involvement may be fostered.<sup>24</sup> This is an area where the Bank stands to learn much from others with longer experience at the grassroots, yet attention to the experiences of others is not as great as it might be.

110. Table I provides a synopsis of Sections I and II. It summarizes the analysis and coverage of poverty issues in five major poverty studies: Colombia, India, Mexico, Morocco and Philippines. By presenting the approaches and recommendations of the studies in a comparable format, the table highlights the results of different analytical approaches and topical emphases.

111. The findings and recommendations presented in this section and in Section I have implications for future poverty-related economic and sector work. These are taken up in Section III.

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24/ Indonesia and Bolivia are the exceptions. These studies assemble lessons from the experiences of NGOs in those countries, which can offer guidance for efforts in other countries.

**TABLE I: SUMMARY OF COVERAGE OF POVERTY ISSUES AND INITIAL FINDINGS FOR FIVE MAJOR STUDIES**

	INDIA	PHILIPPINES	MEXICO	COLOMBIA	MOROCCO
<b>Poverty Line Definition</b>	Cash income based. Defined for poor and ultra poor. Time trend data. Measures: headcount and incidence.	Based on minimum nutritional and other needs. Defined for poverty and subsistence. Time trend data. Measures: headcount and incidence.	Urban poverty line: based on nominal minimum wage. Rural line based on cash and in-kind income for poorest 20%. Urban trend data only. Measures: incidence and headcount.	Based on index of 5 basic needs not met--housing, etc. Defined for general and ultra poverty. No time trend. Measures: headcount and incidence. Poverty gap measure for nutrition.	Based on income to cover food and non-food needs. Level: varies urban/rural: for diet and cost. Ultra poverty line: covers food and non-food needs. Trend data. Measures: headcount, incidence and poverty gap.
<b>Characteristics of the Poor</b>	Social indicators by poverty subgroup: income and expenditures; PHN, education. No information on distributional equity.	Social: PHN, access to clean water. Economic: detail for core poor on income by source, family size, housing, access to services. Equity trends.	Social: averages for PHN, education trends. Nutrition: more detailed. Spatial distrib. Economic: employment, family size, sources of income, assets. Equity trends.	Social: averages by region and for rural vs. urban. PHN, education. Urban distribution: trends. Report finds official definition of poverty: too broad--fails to pinpoint poor.	Social and economic data provided as actual and normative "goal" indicators--by group, with indicators adjusted for group: relevance (e.g., varied diets). Urban equity trends.
<b>Approach to Analysis of Poverty</b>	Comprehensive.	Comprehensive.	Sectoral, targeted, (some macro).	Sectoral, targeted.	Macro (some), sectoral, targeted.
<b>Recommended Actions to Reduce Poverty</b>	* Priority: create employment; raise return on assets; improve human capital; * Secondary: increase control of productive assets; income and consumption transfers.	* Priority: increase control of productive assets; create employment; improve human capital; income and consumption transfers.	* Priority: income and consumption transfers; improve human capital; create employment; raise return on assets.	* Priority: improve human capital; income and consumption transfers. (Subsequent work partially addresses employment for the poor).	* Priority: improve human capital; create employment; * Secondary: raise return on assets; income and consumption transfers.

	INDIA	PHILIPPINES	MEXICO	COLOMBIA	MOROCCO
Role of Government	*. Distributional review of macro policies and programs; * Public Goods Provision social services; productive infrastructure; * Welfare Safety Net food supplement; employment guarantee; * Market "Helper" agricultural extension, marketing and inputs.	* Distributional review of macro policies and programs; * Public Goods Provision social services; infrastructure; urban housing; * Welfare Safety Net public works employment.	* Strategic target programs to: politically vocal to maintain popular support for reforms; * Market "Helper" policy reforms for agricultural and industrial growth; also service delivery, very, selective infrastructure provision; * Public Goods Provision targeted social services; * Welfare Safety Net food supplement.	* Public Goods Provision social services; housing and services; * Welfare Safety Net food supplement; Main message of report is (> limit: role of government: to targeted schemes of manageable proportions. This parallels report's advocacy of a more restrictive definition of poverty.	* Distributional review of budget allocative choices; * Public Goods Provision social services; infrastructure; * Welfare Safety Net food supplement; public employment schemes; * Market "Helper" informal sector credit; employment for poorest; decentralization of service provision.
Financing Poverty Reduction	Public finance choices not addressed. New resources to come from external assistance and reallocations within sectors via cost recovery for curative health and higher education services; Potential for cross-sectoral subsidization from cost recovery for productive sector services not considered.	Public finance choices given prominence. New resources to come from fiscal revenue and expenditure reallocations, as well as enhanced targeting within sectors. Cost estimates for program recommendations not specified, either at program level, or for implications for fiscal budget.	Public finance choices not addressed. New resources to come from reallocations within sectors, and from external assistance for health program expansion. Program level cost estimates for alternative degrees of targeting and coverage. Aggregate costs not considered. Subsidies for selected inputs and infrastructure; targeted cost recovery in social sectors.	Public finance choices not addressed. New resources to come from reallocations within sectors, and from reductions in expenditures on energy sector. Assumptions underlying program financing projections critically reviewed. Program cost estimates provided but not aggregated. Cost recovery via user fees for curative health and higher education services.	Public finance choices addressed insofar as they reflect the aggregate of specific program recommendations. New resources to come from reallocations within sectors, via more precise spatial and sectoral targeting. Specific cost estimates of programs and policies: not addressed. Cost recovery and subsidy issues addressed in context of need for more targeting of programs.



	INDIA	PHILIPPINES	MEXICO	COLOMBIA	MOROCCO
Institutional and Organizational Issues	<p>* Social Services: too centralized; little coordination of tasks; need to design programs to more closely match client demands.</p> <p>Report offers recommendations on how to improve local delivery.</p> <p>* Productive Sector Services: receive less detailed attention. Focus is primarily on public works program efficiency.</p>	<p>* Social Services: need better coordination of PHN service delivery to permit least cost expansion of coverage.</p> <p>* Productive Sector Services: also insufficiently coordinated, especially those responsible for land reform and complementary service delivery.</p> <p>Institutional efficiency and capabilities not addressed.</p>	<p>* Social Services: need better quality of institutional management and service delivery capabilities, and better coordination among institutions.</p> <p>Report proposes specific Bank-GOM cooperation to strengthen capabilities.</p> <p>* Productive Sector Services: need for better delivery of inputs to rural poor. A lesser emphasis.</p>	<p>* Social Services: are too centralized, mistargeted, and inefficient. These problems, especially in social security and health, need to be addressed before undertaking new initiatives.</p> <p>* Productive Sector Services: not addressed.</p>	<p>Social Services: inadequate production and distribution due to: over-centralization, limited administrative capabilities, lack of inter-ministerial coordination, and mistargeting.</p> <p>Productive Sector Services: better coordinate complementary service delivery; tailor services to clients via decentralized service design and delivery.</p>
Economic and Financial Sustainability of Poverty Reduction Programs	<p>* Economic: Recommendations emphasize a shift away from transfers and subsidies toward investments with long run pay-offs in growth and employment; long term goal of community base for programs.</p> <p>* Financial: not addressed.</p>	<p>* Economic: Attention to the impact on growth of proposed policy recommendations. Also focuses on community base for public works and social service delivery as means of fostering self-sustaining program support.</p> <p>* Financial: not addressed.</p>	<p>* Economic: Recommendations adopt short term objective of assistance to middle income groups as well as poor. Welfare programs viewed as transitional. Support to productive sectors takes a more sustainable approach by promoting growth.</p> <p>* Financial: Addressed, but focus is immediate term.</p>	<p>* Economic: Focus is on the social sectors and on immediate steps toward poverty reduction. Longer term issues in the productive sectors and links to growth not addressed. Raising the incomes of the poor is to be addressed in further work.</p> <p>* Financial: short term program funding.</p>	<p>* Economic: Seeks long term policy approaches to poverty reduction consistent with growth. Identifies the fiscal and institutional limits to immediate action. Offers methodology to rank policy priorities. Advocates investment in growth policies, plus safety net.</p> <p>* Financial: not addressed.</p>

	INDIA	PHILIPPINES	MEXICO	COLOMBIA	MOROCCO
Reaching the Poorest of the Poor	Advocates special efforts targeted to poorest: employment guarantee for: secure income, but: targeted via below: market wage. Past failures in reaching the poorest due to institutional shortcomings. Safety net a strong theme. Does not look to NGO's for lessons with community participation-- focus is on strengthening institutional outreach.	Advocates special efforts targeted to poorest: via service design and delivery; agricultural support services with land reform; safety net of public works employment. Does not offer practical recommendations for program implementation.	Advocates special efforts targeted to poorest via welfare support: enhanced nutritional monitoring; administrative decentralization. Attention to lessons of NGO experience in coping with crisis. Safety net of employment schemes: not considered.	Advocates special efforts targeted to poorest via welfare support: clustered service delivery via community participation--quality of local participation is viewed as key to reaching poorest. Income needs of poorest to be addressed in follow-up work.	Advocates special efforts targeted to poorest via: nutrition support and public works programs. Argues that survival problems of poor must be addressed first, then income problems.

### **III. Future Directions for the Bank's Poverty-Related CESW**

112. This review has identified a number of findings from Bank poverty studies, as well as some important gaps in their coverage. A selection of recommendations and topics for further study are suggested below.

#### **A. Indicators of Poverty and Poverty Measures**

113. Although the poverty profiles reviewed present considerable information to identify and describe the poor, few use it to develop systematic policy guidance, or assist in the formulation of comprehensive and sustainable poverty reduction strategies.

114. A poverty profile should assemble sufficient information about the poor to permit analysis of the causes of poverty. The main purpose of such analysis is to identify appropriate public responses to priority poverty problems. Data on the poor should be organized to show a clear link to the policy environment. This information typically includes a demographic and social profile (who the poor are and indicators of their well-being), an income profile and summary of the economic activities of the poor by occupational group (this may identify target occupational groups), consumption or expenditure patterns of the poor, trends in key social and income indicators, a regional poverty distribution, plus country-specific characteristics such as ethnic or national composition of the poor.

115. Poverty should be clearly defined. Ideally, a poverty line should be based on the real cost of some appropriately determined basket of minimum food plus non-food requirements. The extent of poverty should be quantified using household consumption data, adjusted to a per capita basis. In the absence of such data, aggregate household consumption rather than per capita consumption is often recommended by experts, or income rather than expenditure data.<sup>25</sup> Second-best estimates are less accurate, however, and need to be supplemented with other information, such as patterns of intrahousehold distribution of food and consumption goods.

116. Measures of the extent of poverty typically include a headcount (the absolute number of the poor), poverty incidence (percentage of the poor in the total population), or a more distributionally sensitive measure such as the (weighted) poverty gap (indicating the extent of income shortfalls below the poverty line). As an indicator of the intensity of poverty, the poverty gap is particularly important to policy formulation.

117 Finally, an income-based measure will capture only one dimension of poverty. Information on the economic activities and nutrition, health, and education characteristics of the poor should also be included, with trend indicators, both to illustrate the different dimensions of poverty (and their variance across groups of

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25/ For a discussion of these choices see Streeten, 1989.

the poor), and to provide additional information to guide the design of poverty reduction strategies.

118. The precision of poverty profiles should not be overplayed. Depending on the task at hand, detailed quantification of poverty may not be necessary, if a good proxy indicator is available. An example of this is the Ghana PAMSCAD where target groups for direct assistance were identified based on qualitative information. The subsequent Ghana Livings Standards Survey confirmed this selection of target populations -- suggesting that those familiar with a country may already know or may quickly assemble adequate information to identify the poor.

#### **B. Approaches to Poverty Analysis**

119. Section I.B above distinguishes the "macro", "comprehensive" and "sectoral" or "targeted" approaches to poverty analysis. The comprehensive studies produced important policy conclusions on such questions as:

- the implications of macroeconomic, trade and fiscal policies for poverty and employment;
- the distributional impact of broad public expenditure choices;
- intersectoral linkages affecting poverty reduction;

- the role of labor markets in poverty reduction;
- strategies to increase the incomes of the poor.

120. By contrast, the more narrowly focused studies tended to neglect potentially important aspects of poverty strategy. Studies which focus only on targeting services in the social sectors, for example, may fail to consider important macroeconomic or sectoral policy issues which affect the income prospects of poor people. Such issues are vital not only to raising the demand for social services, but more importantly, they are central to any sustainable strategy for poverty reduction.

121. Data availability has often dictated the analytical approach. The data available for the major Asian studies (India, Philippines, Indonesia) were generally good. However, the examples of Bangladesh, Bolivia, Nepal and Malawi show that a comprehensive approach can produce useful conclusions even where good data are sparse. For example, the Bolivia study assembles a very comprehensive overview of who the poor are and assesses some of the causes of their poverty at the local, sectoral and economy-wide levels. This analysis is based on the use of micro and some national surveys, and a range of qualitative indicators and proxies for poverty. The study uses the resulting poverty profile to guide a systematic analysis of the effects of economic policy, the regulatory environment, institutions and socio-cultural traditions on poverty in Bolivia.

122. This review suggests that many poverty studies have been too narrow in their analytical approach. A comprehensive approach to poverty analysis is generally lacking in most studies, even though it is an important first step in determining the priorities for further study and strategy formulations.

123. A comprehensive approach also requires balanced attention to all relevant sectors. On balance, however, studies devote more attention to improving the human resources of the poor, and to devising short term social sector safety nets for the poorest, than to identifying strategies to raise the incomes of the poor. Poverty-related CESW should explore the determinants of poverty, not only the access of the poor to welfare-enhancing goods and services. Particular priority should be given to analyzing the links between economy-wide policies which affect growth in employment, the functioning of the labor market, the role of complementary public expenditures and investments, and poverty.

124. In addition, poverty strategies should give more attention to:

- the dynamics of urban informal and rural non-farm activities in providing income;
- the problems of urban poverty, and implications for poverty reduction strategies;
- ways of enhancing small-scale agricultural productivity;
- the relationship of land tenure structures to poverty;

- the role of the private sector in product and service delivery in the social and agricultural sectors; and
- the role of infrastructure provision in poverty reduction strategies.

Studies might focus more on the complementarities among investments in the productive and social sectors.<sup>26</sup>

125. Studies should be systematically selective in their choice of topics/issues to cover. Given the critical resource constraints for CESW in most Bank country programs and the importance of applying those resources in areas where they can have most impact, it is important to ensure that poverty studies are well-focused on critical, actionable issues. It is therefore recommended that, at a minimum, initiating memoranda for poverty studies should review the broad characteristics of the poor and present hypotheses concerning poverty reduction. This would allow explicit consideration of how comprehensive the scope of the study needs to be and of the priority issues for analysis. A further implication is that for each country, there should be a document<sup>27</sup> that articulates the rationale for the poverty strategy adopted.

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26/ The Morocco study methodology offers guidance here that may be useful for other countries.

27/ Most probably the CSP.



C. Political Dimensions of Poverty Reduction

126. In many countries, especially those experiencing slow or stagnant growth, poverty reduction entails political choices and trade-offs: between the poor and the non-poor, and between different groups of the poor (urban/rural, ethnic minorities, underdeveloped regions). Shifting benefits of public policies and expenditures toward the often fragmented groups of the poor can be expected to invite opposition by the losers, a group usually more vocal and influential than the poor who stand to benefit. Measures that redistribute resources to the poor may be difficult or impossible to introduce, unless governments are both willing, and politically able to do so. Measures that will benefit the poor but that do not impose overly large real or relative costs on more powerful vested interests, are likely to be the most feasible.<sup>28</sup>

127. The political feasibility of the poverty reduction strategies proposed is neglected in virtually all of the studies reviewed. This is for several reasons. First, the Bank is inhibited both by its mandate and general sensitivity from raising political issues with governments, who are the main clients of these studies. Secondly, the analytical basis for addressing political economy questions is typically weak, and conclusions are likely to be controversial. The end result is that these issues are usually addressed in the policy dialogue, and are less often raised in Bank documents.

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28/ See Nelson, et al, 1989, for a typology of pro-poor measures by their political dimensions.

128. Nevertheless, experience suggests that political economy issues are too important to be ignored, and that there are cases where solid analysis can help determine what the Bank should propose and how it should deploy its own resources. Hence, at a minimum, political issues should be addressed in the Initiating Memorandum and studies should seek to identify and elaborate politically feasible strategies.

#### **D. Financing Issues**

129. Issues related to the financing of poverty reduction strategies are generally neglected. This constitutes an important gap in the studies' coverage, particularly for the more operationally oriented CESW. The economic and practical viability of poverty strategies can only be assessed in light of the means available to finance them, and of the political and economic tradeoffs they entail. Further attention could be given in CESW to identifying additional resource mobilization or cross-sectoral budgetary reallocations. Both may be important sources of finance as well as means to improve equity of public programs.

#### **E. Institutional Issues**

130. Institutional findings from all sectors emphasize the need to make special efforts to reach the poor. But very few studies offer specific guidance on how to do so. Such guidance should be a priority for operationally oriented CESW.

131. Special efforts to reach the poor are usually needed because the poor are a heterogeneous group with generally lesser access to public programs and services, or in markets and input delivery systems. Yet well-designed public programs and services can give the poor access to the human and productive resources they need to respond to income opportunities. Institutional capabilities to make contact at the local level and forge constructive links with the relevant local government units are thus vital to program effectiveness and sustainability, and merit close attention, especially where major program reforms or new initiatives are under consideration.

132. In many of the studies reviewed, discussions of decentralization or community-based programs focus on the need to design programs and services that are specifically adapted to the particular circumstances of their client populations. Yet the practical details of how to adapt institutions and service delivery structures to better serve the poor typically receive little attention. Specific areas for further attention include:

- community linkages with local government;
- how to foster responsibility/accountability;
- encouraging community participation;
- incorporating lessons of NGO experience in service design;
- enhancing cooperation with NGOs or the private sector as a way of reaching the poorest. This may entail subcontracting or privatizing service delivery;
- decentralization. Only the Brazil study considers the implications of institutional decentralization for service

quality. Local service provision, and especially locally mobilized financing, may lead to uneven service quality across localities which could exacerbate existing spatial patterns of poverty and inequality. Under these circumstances, revenue sharing across districts may be necessary.

133. Operationally-oriented CESW will need to identify which of the above topics are priorities in the specific country situation, and address them. Without such attention, the CESW risks compromising the operational effectiveness and relevance of its poverty strategy proposals.

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29/ Cover colors refer to the stage of document when reviewed. They may have advanced to other colors since then.

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ATTACHMENT

THE BANK'S CESW ON "POVERTY": A MENU OF QUESTIONS AND ISSUES

INTRODUCTION

134. The purpose of this "menu" is to offer for discussion a set of questions and issues which could be addressed in the SPRPA review of policies for poverty reduction. Not all the issues raised in the menu can be addressed by the study, nor may it be appropriate to do so, given the review's objective of providing a useful product for Bank operational staff. At this stage, the objective is to narrow the menu to a more tractable scale while retaining a focus on identifying the priority issues to examine.

I. ISSUES OF DEFINITION AND APPROACH

135. 1. What is the appropriate definition of poverty as a working concept in the context of Bank operations and CESW? At present, there is no consensus about what constitutes "poverty" operations or CESW and what does not. To a large extent, this is because most of the Bank's activities are intended to reduce poverty directly or indirectly. But it is also because of the difficulties of establishing a clear and simple definition. In practice, the Bank

establishing a clear and simple definition. In practice, the Bank uses varying techniques and definitions--often not explicitly stated--to determine whether specific Bank activities are poverty-oriented or not.<sup>30</sup> We need a working definition, however, simply to establish a common ground and help us understand and, perhaps, to establish typologies of issues and programs which should be on the agenda for poverty work. Do recent studies provide guidance on what is the most useful working concept for Bank purposes? Is this likely to vary by country type or specific operational objective?

136. 2. What are the approaches adopted in the Bank's study of poverty issues? Bank studies could be organized into two approaches, crudely divided along aggregate/macro and sectoral/micro lines. The first approach includes assessments of a broad range of government policies and programs and their impact on the poor, and of the institutional framework responsible for the delivery of services to the poor.

137. The second approach includes poverty-oriented interventions at the sectoral/micro level. What has been the scope of sectoral studies? For example, do they focus on programs that involve direct transfers; on those that change relative prices (including wages); or on those that attempt to better equip the poor to increase their

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30/ These range from a focus on the poorest of the poor, or on the poor as defined by a specific set or subset of basic needs unmet; or to a population distribution by degree of poverty, such as the relative shortfall of income below the poverty line. See, for example, Operations Policy Department, 1983; or Central Operations Department, 1988.

earning capacity? Have Bank studies of this nature focused more on some sectors than others?

138. Is the recent poverty work an intensification of past efforts, with more emphasis on targeting or on specific sectors, or is it conceptually distinct? What relative emphasis does the recent work place on overall economic growth versus special efforts to reduce poverty?

139. Do the studies address the likely impact of growth on poverty? Do the studies draw upon the macro policy framework in evaluating the long term prospects for poverty reduction? Is it feasible to design consistent sets of policies and direct interventions in the same framework? Are certain countries more suited to this than others?<sup>31</sup>

140. How are political, cultural or social perspectives considered in the Bank's poverty work? Are there examples of cooperation with other institutions that complement the Bank's work in these areas?

## II. ISSUES RELATED TO IMPLEMENTING POVERTY PROGRAMS

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31/ This might reflect a typology based on: level of per capita GDP, equity of overall income distribution, or degree of governmental commitment to poverty reduction, pluralistic or authoritarian society, etc. as possible determining characteristics.

141. 3. What do recent studies tell us about the experience with identifying specific actions to equip the poor to earn adequate incomes? In principle, the primary incomes of the poor may be raised in five general ways: i) increasing their control over the output of productive assets; ii) enhancing returns on assets they hold; iii) creating employment opportunities; iv) improving human capital through social expenditures and transfers; and v) increasing income and consumption transfers.<sup>32</sup> How do Bank studies address these five approaches? What do Bank studies find regarding the political and economic feasibility of implementing these approaches on a large scale? Are they economically sustainable over time? Do the answers vary under different circumstances?

142. Where have which of these approaches been tried? Do the studies assess whether these approaches have been successful in altering the prospects of the poor, or groups of the poor? If so, how? What has made them work?

143. 4. What do Bank studies tell us about the role of government in poverty reduction efforts? Is there a pattern to country or regional findings (e.g., are direct interventions more effective in some regions)? Which are the most common sectors where governments intervene? Do the studies illustrate cases of effective government intervention to overcome market failures such as unavailability of

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32/ These five ways have been discussed by Addison and Demery, 1988.

credit for small borrowers, or lack of information about opportunities or productivity-enhancing innovations?

144. 5. What is known about the financing of poverty programs?

What are the issues raised regarding cost recovery, and how do they relate to the Bank's policy papers on the subject? What is the role of subsidies? What are the implications for fiscal choices at the aggregate level? To what extent are various cost recovery options hampered by practical feasibility considerations?<sup>33</sup> What are the cost recovery mechanisms advocated in recent CESW?

145. 6. What lessons may be drawn from Bank studies regarding institutional and organizational issues? What do we learn about the types of institutional arrangements to implement poverty programs? What has the Bank learned about the effectiveness of alternative institutional arrangements?

146. What has been learned about how to improve the efficiency of public programs? For example, what is the experience with decentralization of service provision to render services closer (and more accountable) to the beneficiaries?

147. What is known about community involvement and what are the most effective ways for governments and NGO's to interact?

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33/ These might include, for example, the information costs of pricing services according to income category--and the probability of compliance; or the political costs of subsidy reduction.

148. Which types of targeting appear to be most successful? Under which circumstances?

149. 7. How do Bank studies assess the sustainability of poverty reduction interventions? Do the studies examine the sustainability of poverty programs?

150. At the micro level, what do the studies indicate about how to incorporate incentives in project design to ensure that community assets created by the project are maintained beyond the date of project completion? For example, village water infrastructure may only be maintained through effective community organization. Do the studies offer any guidance on how to implement this on a small scale?

151. 8. Are there any particular lessons from Bank experience in trying to reach the poorest of the poor? Do we know enough about the experience with programs to reach the most vulnerable groups? Is this a population best reached via NGO's? Are there other paradigms? Does the Bank have a comparative advantage in reaching the poorest of the poor? Are the studies attempting to learn from the experience of others?

152. 9. At the sector-specific level, what are the important findings from Bank experience? Are there patterns which are common to various sectors? Does this vary by region or country type? Which actions have emerged as the most effective ways to reach the poor and

to improve their command of assets: community-based interventions?  
policy reform? infrastructure development? human resource  
development? others?



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**ANNEX III**

**Resource Allocations to Selected Poverty-Related CESW**

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34/ From Regional MIS Reports - Actual or Budgeted.

35/ As reported by SDA staff.

36/ As reported by SDA staff.

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